

Product Management Practices in Social Enterprizes: Insights for Mainstream Business Enterprizes

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Abstract

Product management practices have once again become important and relevant in the modern marketing context. The reasons are many, ranging from increasing number of product failures due to an excessive focus on brand dimensions in marketing effort, interrelated aspects of product strategy and competitive advantage and a need to understand product related issues that can help in formulating product strategies that can meet consumer requirements. It is interesting to note that social enterprizes have launched successful products even without a strong brand name. They have limited resources for product development and promotion. Examining product management practices of a few real life social enterprises in India an endeavours has been made in this paper to draw lessons and insights that can be emulated by mainstream business firms.

Key words: *Product Management, Social Enterprizes*

Introduction

Product management dimensions have once emerged once again as a topic of discussion among marketing practitioners and researchers. The reasons for this development are many. Firstly, there is an increasing realization among decision – makers that competitive advantage and product strategy are interrelated. To stay ahead of competition companies continuously launch new products. Secondly, product development and its launch are closely allied to capabilities and competencies in an organization. Therefore product management has a strategic dimension as well. Thirdly, the excessive focus on brand related aspect leading to inadequate performance / failures of brands has catapulted product related issues to the fore. Fourthly, even companies in IT services/ technology sector have realized the importance of developing innovative products for growth. In addition, today's consumer in India demands products that meet their requirement. There are also issues such as environment friendliness and social responsibility aspects that have become part of product management practices in India. It is in this background it is interesting to examine product management practices pursued by social enterprizes. These enterprizes that have as social cause that is at the core of the business have been successful in the market without having any strong brand name. It is also interesting to see how they have succeeded in the market place despite limited product management capabilities. Social enterprizes often operate with limited advertisement and promotion budgets. Therefore, understanding the success

of social enterprises in the context of product management can offer insights for mainstream business enterprises. In this paper an endeavour has been made in this direction by examining a few successful cases of product management by social enterprises to draw a few insights for mainstream business enterprises.

Literature Review

Before we attempt review the literature it might be useful to understand the phenomenon of social enterprises in the context of marketing. In general organizations are categorized as government, business and those in the non-profit sector (Shuayto and Miklovich, 2014) and these forms of organization have worked somewhat independently with clear domain focus. In recent years, according to researchers there has been a lot of overlap with non-profit organizations endeavoring to incorporate business objectives, while business enterprises are including social dimensions in their operations, with governments playing a facilitating role. Dart (2004) sought to explain the emergence of social enterprises using institutional theories. Thompson and Doherty (2006) highlighted that “social enterprises are organizations seeking business solutions to social problems.” This definition is interesting as it combines the issue of business and the social dimension. Dees (1998) definition includes the mission facet of the social enterprises and such enterprises examine “opportunities” to achieve the same. In addition, research also views social enterprises as

belonging to three strands, first as a response to failure of the state in fulfilling needs of the poor, second as enterprises that are community owned and managed and third as an approach to integrating the poor into the market system (Sriram 2011). Social enterprises face the challenge of incorporating business concepts to create value and for organizational sustainability and the researchers further proposed that key marketing concepts, such as, positioning strategy and marketing orientation help in developing organizational identity and in meeting the requirements of its stakeholders (Shuayto and Miklovich, 2014).

There have been interesting and successful cases of product management practices by social enterprises. Divine Chocolate Ltd, a dynamic and leading fair trade company in UK and Café Direct, UK's largest fair trade hot drinks firm owning the sixth largest coffee brand in UK, have established a strong competitive position in the market place in their chosen product categories in a demanding UK market. These social enterprises have been agents of change in the market place in their respective product categories and the firms' ethical and social commitments (dimensions such as Fair Trade mark, link with producers, advocacy) connections with partners (such as links with upstream and downstream supply chains), consistency of behavior (facts such as raising industry's ethical standards, 100% Fair Trade, more than just money) are social resources that have enabled the success of these firms (Doherty 2011). Varadarajan (2014) discussed issues pertaining to sustainability, the inter-relationships for public policy actions, global social innovations for base-of-the-pyramid

markets, de-marketing and highlighted opportunities for further research. Krzyzanowska and Tkaczyk (2015) examined a single case study of Partnership for Health, a joint initiative of the firms Danone, Biedronka, and Lubella and the Institute of Mother and Child, which developed a product to prevent malnutrition in young children and analysed whether the endeavour to solve local community needs through product development can be deemed to be an approach for a positioning strategy for the retailing firm Biedronka.

In the Indian context there have been successful cases of product management practices by social enterprises in the dairy sector (Manikutty 2002, Suresh 2001). There are excellent examples with a strong bottomline orientation with clear product focus in the case of Fab India, in the textile sector, and SELCO, in the energy sector (Sriram 2011). Example of successful product management in niche categories is also seen in the case of an urban micro-finance enterprise with lessons for the mainstream banking sector. (Suresh and Rao, 2013). Thus understanding product management practices by social enterprises can provide useful insights for mainstream firms. This paper attempts to examine successful product management practices of a few successful cases of social enterprises with a view to deriving lessons for mainstream companies. These cases include a social enterprise in the energy sector (SE1), a regional farmer-owned dairy federation (SE2), an urban micro-finance company (SE3) and a state level handicrafts corporation (SE4). They represent different forms of ownership, are successful in the marketplace, have

sustained themselves over the years and provide valuable managerial lessons.

A Brief Summary of the Chosen Social Enterprises

In the following section, a brief summary of the social enterprises, their origin and activities, the products they have offered to the market, the product management practices they have pursued and the reasons for their success are highlighted. The names of these social enterprises have been disguised and information presented is based on secondary data.

Social Enterprise 1 (SE1)

This social enterprise started operations in 1995 with the aim of providing sustainable energy services to underserved households and small businesses. It is structured as a for-profit social enterprise with focus on providing lighting solutions to the poor. The social enterprises sought to dispel the following myths in the context of providing energy products and services to the poor customers:

- Poor cannot afford sustainable technology
- Poor cannot maintain sustainable technology
- Social ventures cannot be run as commercial enterprises

In addition, another myth it dispelled is that poor customers cannot help in developing new products. SE1 proved that poor customers can add value to product development process itself. This social enterprise operates

in five Indian states creating and marketing products based on end-users needs, installation and after sales services, offering standardized financing packages, creating innovative channels for end users to afford systems based on their cash flows and ability to pay for the same. It has sold 200000 solar systems and has established 45 energy services centers. The product range includes solar lighting (CFL and LED) for both home and business, solar thermal (water heating), solar inverters and special projects such as solar based sewing systems etc. (Company website and corporate brochure 2014)

The firm is very successful and has created a business model based on user needs and their ability to pay. It identified opportunities for product development on the basis of suggestions from customers. For instance, a drum-makers community wanted a solar lighting solution for which they were willing to pay. The community often faced the risk of being evicted at short notice and needed a product that can be picked up on the run. SE1 deployed a product designer to develop one such product. In another situation, for village health workers (VHW) who assisted women during child delivery, the constraint was poor lighting in a limited space with the risk of injuring the mother and the new born baby while using a traditional lamp and the need for the VHW to use both her hands. Taking a cue from the mining industry the firm designed a lamp that was affixed to a head band (similar to a lamp on a miner's hat). In another case, the firm provided a 24x7 solar energy for operating a sewing machine by a poor customer by tying up with a bank. This helped the poor customer to run the machine without the

risk of a power cut and also enabled her to develop more intricate embroidery patterns that required continuous energy supply thus designing value-added products for the market. While leadership has been a crucial successful factor, the social enterprise's single minded focus on its mission and products developed based on the same (that of solar lighting solutions for poor) has enabled the company to achieve success. It is being looked upon as a model in the marketplace for its product innovation, its approach to the market, its ability to develop products in collaboration with poor customers and possibly as an approach that can be emulated in developed markets in the west.

Social Enterprise 2 (SE2)

The dairy sector in a large state of India, prior to Operation Flood of NDDB (National Dairy Development Board) was the responsibility of the state Animal Husbandry department. In 1955 the first modern dairy was established by the government in the state. In 1975 a World Bank supported project was initiated and a public sector organization State Dairy Development Corporation (SDDC) was set up to implement the project.

SDDC was restructured as State Cooperative Milk Producers' Federation (SCMPF, referred as SE 2 in the paper) as a cooperative producer-owned structure in May 1984 in line with NDDB's policy of supporting only producer-owned structures in the country.

SCMPF had the following objectives (Company website 2014)

- Providing assured and remunerative market for the milk produced by the farmer members
- Providing quality milk to urban consumers
- To build village level institutions to manage dairy activities
- To ensure provision of milk production inputs, processing facilities and dissemination of know-how
- To facilitate rural development by providing opportunities for self-employment at the village level and opportunity for steady income

Subsequent to liberalization, delicensing of dairy sector to some extent has taken place and private players have entered the milk market. A peculiar feature of the milk market in which this social enterprise operates is that, most customers, even the literate among them, do not understand as to what constitutes a good quality dairy product. This enterprise operates in a tight regulatory market with little freedom to decide either the milk procurement price for farmers or the selling price of the same for consumers as the state government has a lot of say in deciding the same. In addition, there is a social mission of providing high quality liquid milk to urban consumers, a constraint that does not exist for private players.

SE2 markets around nine product categories and more than ninety products collectively across different product categories. It has a dominant position in the regional

market in all product categories catering to the 'value for money' (middle class) price conscious segment and competes effectively with mainstream private sector players including well-known multinationals firms. This social enterprise has acquired strong distribution skills over the last years and its distribution network that reaches the poorest in the state is simply unmatched. It has introduced distribution innovations such as AnyTimeMilk counters and opening of retail outlets in key locations across, the state. It has introduced innovative products, such as, branded Desi sweets (Indian sweets) spotting a product-market gap. To cater to an emerging consumer market which seeks convenience it launched very successfully branded curds. This also met the cultural demands of the local consumers who needed a hygienic product (to mix with rice items). This is a product category where even large players in private sector have not been very successful. Using modern technology it developed UHT milk that did not require refrigeration which met the requirements of consumers on the move as well as those of small eateries. In all the product categories, it has maintained ethical standards in terms of weight, fat content and product standards prescribed by the government setting up a benchmark for other players in the market.

Social Enterprise 3 (SE3)

This social enterprise, unlike other firms in the micro-finance business, by design focused on the urban poor. It was established with the mission of "Providing

Financial Inclusion of the urban and semi-urban poor". By June 2013, this social enterprise had more than 1105000 customers and had operations in 20 states and 48 unbanked districts. The MFI had 301 branches and disbursed more than Rs.46967 million, had Rs.11260 million outstanding and it had achieved a loan repayment rate of around 99.73%. As its target markets were the various segments of its urban (poor) customers, SE3 developed a "unique multi-product framework" offering many loan products customized to its customer requirements, such as, Basic Loans (Business Loans, Family Loans, Combo Loans, Business top-up loans), Value-added Loans (Emergency Loans, Education loans, Safe water (Pure-it) loan), Individual Loans (Individual Business loans, Housing loans). SE3 has also forayed into housing loans for the urban poor recently. It was rated among the top 15 companies to work for and had consistently better employee satisfaction ratings than even mainstream banks and won the award for best social performance reporting (Company website 2014, Suresh and Rao 2013).

Social Enterprise 4 (SE4)

This social enterprise was set up the state government in 1964 as a public sector organization to give a fillip to the handicrafts sector, to preserve handicrafts and to support artisans in the state. SE4 markets more than 10 product categories that include products made of rosewood, sandalwood, other wood such as shivani, metalware, lacquerware, perfumery, 'dhurries', bronze, paintings, carpets etc. Each category has several products meant for different end uses. Over the years this social enterprise

has been able to help more than 4500 artisans directly and more than 50000 artisans indirectly by marketing their products through 11 retail outlets (Company website 2014). By working closely with artisans it has developed new products for modern needs based on traditional skills (an example being rosewood inlays for modern homes and offices) (Suresh 2002). It has also adapted traditional product skills for new consumer segments as 'dhurries' for sofa sets. New forms of retailing such as online sales have been initiated. The social enterprise has also created special vehicles, such as, 'melas' to boost sales during festival seasons. It has made forays in international markets and has been able to get GIR (geographical indication registry) certification for many products. In the process it has helped artisans market their products successfully and has competed effectively with private crafts retailers by marketing authentic handicrafts products of high quality.

Comparison of Product Management Practices of the Social Enterprises and Conclusions

It is important to note that products launched by these social enterprises perform well in the market and are well accepted by customers. A comparison of the product management practices of these social enterprises indicates three aspects. Firstly, the enterprises have been successful due to such practices. Secondly, product failures have been few and thirdly, the practices throw very interesting product management practices that can be emulated by mainstream firms.

All the social enterprises examined have shown a remarkable ability to scan the business environment thoroughly. In the case of SE1, it understood the energy needs of the underserved, that there was demand for renewable energy products in the country for which even the poor were willing to pay, and that prevalent government programs were somewhat inefficient and were subsidy-driven. SE1 filled the gap by providing a market-based solution despite the limitations of a social enterprise. The social enterprise offered innovative solar lighting solutions for the poor through a marketing approach. SE2 understood the dairy sector policy of the country implemented by NDDB that focused on helping the farmers and also meeting the milk demand of the urban middle class in cities. SE2 realized that there was no private sector player that operated in the market on a large scale with an extended procurement chain, large processing facilities and strong distribution network. It linked farmers with urban markets by marketing value-added products. SE3 understood that there were no players in the urban microfinance category and it carefully avoided operating in a large south Indian state where policy environment was unfavourable. SE4 clearly envisaged that there was demand for high quality handicrafts products and with increasing incomes Indian middle class is an important market segment for handicrafts products. The social enterprises operated in a strict regulatory environment and, hence, innovation was critical for survival. All the social enterprises

had sharply defined their target markets and understood their customers' needs very clearly. These social enterprises generated ideas for products from suggestions of customers (external sources) rather than purely internal sources. The enterprises (through their internal R& D team) involved consumers in product development right from the initial stage. This approach minimized product failures as the products met customer requirements. The screening approach for the choice of new products/ product improvement focused on criteria, such as, growing categories of products, what role the product would play in the product architecture of the social enterprise in a strategic sense and the internal capabilities of the social enterprise to develop the product. For instance, SE2 forayed into branded Desi sweets market and SE3 has launched its housing loan product for the urban poor. The social enterprises also tested the concept in real life conditions before final launch. For example, SE4 displayed its new products during festival seasons in select outlets before full launch. These social enterprises also augmented their product management by adding special features for customers. SE1 tied up with banks for financing, while SE2 opened 24X7 retailing counters, SE3 educated its customers to arrive at the right choice of the product and SE4 was among the first retail outlets that accepted purchase through credit cards. All the social enterprises focused on developing innovative products and provided value to consumers. The social enterprises did not foray into other

attractive product categories not related to their original mission, despite pressures from stakeholders. SE1 did not move away from solar lighting for poor and SE2 focused mainly on the requirements of the middle class consumer in the region it was operating though the temptation to market high value dairy products was high. SE3 focused only on the urban poor, not the rural poor like other microfinance firms, and SE4 did not diversify into handlooms and focused only on crafts. These social enterprises operated on the basis of internal capabilities in the firm. SE1 developed innovative products picking up design ideas from other sectors and an ability to work with customers for product development and tying up with external agencies. SE2 built a very strong distribution network that reached even slums of a modern metropolitan city on all 365 days of the year twice a day, a feat that could not be matched by private players. SE3 came up with innovative loan products customized to credit markets in different regions. The social enterprise also tested the concepts in the field in a systematic manner. SE4 understood emerging consumer trends and combined traditional craft skills for modern needs and deployed its remarkable retailing skills to market the same. A comparison of product management practices of the cases of social enterprises examined has been given in Table 1.

Table 1: A limited comparison of product management practices of chosen social enterprises

Dimension	SE1	SE2	SE3	SE4
Opportunity identification	By scanning business environment. Also feasibility of technical and commercial accomplishment	By scanning business environment	By scanning business environment	By scanning business environment. Also to preserve artisan skills that may disappear
Idea generation	External sources	External sources such as customers and NDDB's funding support	External sources such as customers	External sources such as customers
Screening of ideas (criteria)	Growth criteria, new to the market category, internal competence for development	Growth criteria, presence in emerging categories, internal competence for development	Category growth	Category growth

Concept and Product testing	Yes	Yes	Yes	Yes
Test Marketing	Yes	Yes	Yes	Yes
Launch of product	Roll out after successful trials	Cautious Roll out mainly in strong (regional) markets	Roll out is select markets after customization	Roll out mainly in larger retail outlets initially
Understanding of regulatory environment	Strong. Efforts to modify policy	Strong. Works in close collaboration with NDDB, the apex body for dairy sector	Strong. Avoiding unfriendly policy environment	Strong. Acceding to government guidelines

Potholes	Varying customer requirements at micro-level	Socio-cultural dimensions in food sector, meeting government rules in food category	Credit market habits of customers vary across regions	Ability of customers to pay for handicrafts and changing needs in urban areas due to lifestyle modifications
Resources and Capabilities	Ability to customize product using technology with innovative finance packages	Strong distribution network, sharp understanding of regional consumer needs	Innovative products for varying credit markets	Traditional artisan skills applied for modern needs, strong retailing skills
Product – market focus	Mission driven. Avoid unfamiliar technologies, Focus on poor	Mission driven. Operating in regional markets	Mission driven. No dalliance outside chosen niche	Mission driven. Focus on artisans willing to adapt. Markets in major cities.

All these social enterprises operated in very tight regulatory environment that did not allow any scope for error. Hence, the social enterprises were aware of the potholes in launching products without understanding consumer needs just because there was an opportunity. Given their limited financial resources for product development, market research and promotion, these enterprises did not commit 'go error' in haste and did not roll out products on a full scale unless there was synergy in terms of all the 4Ps of the marketing mix. They operated on the basis of the internal resources and capabilities and how such resources are accessed by the social enterprises, competencies and capabilities get formed in social enterprises is an important area for research from the perspective of strategy area. There is also need to undertake primary and detailed case research of successful social enterprises. These social enterprises competed with mainstream competitors, on the basis of product strategies, using the terminology of Deschamps and Nayak (2004) "competing on value and competing on innovation" and creating positive impact in the markets they operated. Reasons for such product strategies stem from their limited financial resources and a single minded focus on the organizational mission. The product management practices offer interesting insights and learning for mainstream business firms and are worthy of emulation.

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